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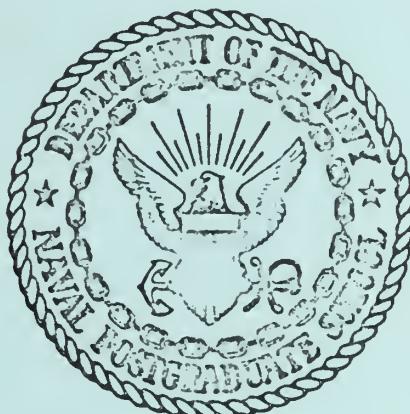
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THESIS

NAVAL RESERVE MANAGEMENT
UNDER THE NAVY'S TOTAL FORCE POLICY

by

Albert Edward Bailey, Jr.

June 1975

Thesis Advisor:

T. N. Tate

Approved for public release; distribution unlimited.

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NAVAL RESERVE MANAGEMENT UNDER
THE NAVY'S TOTAL FORCE POLICY

by

Albert Edward Bailey, Jr.
Lieutenant Commander, United States Naval Reserve
B.S., United States Naval Academy, 1961

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

The

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ABSTRACT

The purpose of this thesis is threefold:

- (1) To explore the evolution of the financial management system in the Department of Defense and how the Department of the Navy interfaces with the current process.
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LIST OF ABBREVIATIONS

APN	Aircraft Procurement, Navy
ASD	Assistant Secretary of Defense
BA	Budget Activity
BCC	Budget Classification Code
CMC	Commandant of the Marine Corps
CNARES	Chief of Naval Reserve
CNO	Chief of Naval Operations
CNR	Chief of Naval Reserve
COMNAR	Commander, Naval Air Reserve
DNR	Director of Naval Reserve
DOD	Department of Defense
DON	Department of the Navy
DPPG	Defense Policy and Planning Guidance
EOE	Element of Expense
FM	Financial Management
FP	Financial Plan
FSC	Functional/Subfunctional Code
FYDP	Five Year Defense Program
HQ	Headquarters
JCS	Joint Chiefs of Staff
JFM	Joint Force Memorandum
JSOP I	Joint Strategic Objectives Plan, Volume I (Strategy)
JSOP II	Joint Strategic Objectives Plan, Volume II (Forces)

MCN	Military Construction, Navy
MCNR	Military Construction, Navy, Reserve
M-MARP	Mobilization-Manpower Allocation/ Requirement Plan
MPN	Military Personnel, Navy
MSPG	Material Support Planning Guidance
NARU	Naval Air Reserve Unit
NAVCOMPT	Comptroller of the Navy
NPS	Naval Postgraduate School
NWC	Naval War College
O&MN	Operations and Maintenance, Navy
O&MNR	Operations and Maintenance, Navy, Reserve
OMB	Office of Management and Budget
OP-01	Deputy Chief of Naval Operations (Manpower)
OP-02	Deputy Chief of Naval Operations (Submarine Warfare)
OP-03	Deputy Chief of Naval Operations (Surface Warfare)
OP-04	Deputy Chief of Naval Operations (Logistics)
OP-05	Deputy Chief of Naval Operations (Air Warfare)
OP-06	Deputy Chief of Naval Operations (Plans and Policy)
OP-09B	Assistant Vice Chief of Naval Operations/ Director of Naval Administration
OP-09R	Director of Naval Reserve
OP-090	Director of Naval Program Planning
OP-92	Fiscal Management Division of OP-090
OP-094	Director Command Support Programs
OP-098	Director Research, Development, Test and Evaluation Office

OP-099	Director Naval Education and Training
OPN	Other Procurement, Navy
OPNAV	Chief of Naval Operations Staff
OSD	Office of the Secretary of Defense
PBD	Program/Budget Decision
PDM	Program Decision Memorandum
POM	Program Objectives Memorandum
PPBS	Planning-Programming-Budgeting System
PPGM	Planning and Programming Guidance Memorandum
PRIME	<u>P</u> riority <u>M</u> anagement <u>E</u> ffort
RA	Resource Allocation
RMS	Resource Management System (Project PRIME)
RMSs	Resource Management Systems
RPN	Reserve Personnel, Navy
SECDEF	Secretary of Defense
UIC	Unit Identification Code

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I. INTRODUCTION

A key element of current U. S. national security strategy is the concept of "total force planning": using all appropriate resources-both U. S. and Free World-to capitalize on the potential of available assets. For U. S. military forces, this means concurrent consideration of total forces, active and reserve, to determine the most advantageous mix to support national strategy [Ref. 17].

Direct spending on reserve forces has increased over the past four years from \$2.6 billion in fiscal year 1970 to a peak of \$4.4 billion in fiscal 1974. Furthermore, the reserve budget is consuming an increasing share of defense spending, reaching a high of over 5 percent in fiscal 1974 [Ref. 17].

Deep rivalries have traditionally existed between the active and reserve military factions in each service. The natural cleavage between professional and citizen soldiers widens in the face of a shrinking availability of defense resources [Ref. 17].

Three facts of life that are of major importance to the United States Navy are embodied in the statements quoted above. First, the Navy must adhere to the Nation's Total Force Policy. Second, the Naval Reserve is being funded to play a vital role in the Navy's Total Force Policy. Third, Regulars and Reserves must work together as a well-coordinated team if the Navy's Total Force Policy is to be a reality.

The purpose of this thesis is threefold:

- (1) To explore the evolution of the financial management system in the Department of Defense and how the Department of the Navy interfaces with the current process.

- (2) To examine development of the Naval Reserve role in the Navy's emerging Total Force Policy.
- (3) To evaluate progress with key Naval Reserve management problems which affect attainment of the Navy's Total Force Policy.

Chapter II, FINANCIAL MANAGEMENT IN THE DEPARTMENT OF DEFENSE/DEPARTMENT OF THE NAVY, seeks to accomplish the first purpose; Chapter III, THE NAVAL RESERVE AND THE TOTAL FORCE POLICY, seeks to accomplish the second purpose; Chapter IV, MANAGEMENT OF THE NAVAL RESERVE, seeks to accomplish the third purpose; and Chapter V, CONCLUSIONS AND RECOMMENDATIONS, seeks to suggest further possibilities for improving some aspects of the problems encountered in Naval Reserve Management under the Navy's Total Force Policy.

III. FINANCIAL MANAGEMENT IN THE DEPARTMENT OF DEFENSE/DEPARTMENT OF THE NAVY

A. THE EVOLUTION OF BUDGETING IN THE FEDERAL GOVERNMENT

The budget of an organization is an expression in financial terms of a plan for carrying out the organization program objectives for a specified period of time. The budget is an instrument of planning, decision-making, and subsequent control [Ref. 2].

"Planning, decision-making, and subsequent control" have been identified by Robert Anthony [Ref. 3] as three distinct administrative processes:

(1) Strategic Planning: The process of deciding on objectives of the organization, on changes in these objectives, on the resources used to attain these objectives, and on the policies that are to govern the acquisition, use, and disposition of these resources.

(2) Management Control: The process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives.

(3) Operational Control: The process of assuring that specific tasks are carried out effectively and efficiently.

Budgeting has always been a process for systematically relating expenditure of funds to accomplishment of planned objectives and all budgets entail some degree of planning, management, and control. However, a well-balanced recognition

of and emphasis on these three processes as standard procedure remains an elusive accomplishment in the Federal Government.

1. Budget Reform

...a modern government is concerned with the broad objectives of defense; law and order; health, education and welfare, economic development, and the conduct of business operations (Post Office) ...No government, whatever its resources, can avoid the need for compromises among these objectives...Society benefits to the extent that resource allocation choices are made in the light of the fullest possible information concerning their implications...The function of the Planning-Programming-Budgeting System (PPBS) is to make the necessary compromises among various objectives [Ref. 4].

Budget reform in the Federal Government has long-standing antecedents. Three successive stages of major reform beginning in the early 1900s and continuing to the present, can be identified. Each of these reforms has attempted to incorporate another dimension of the planning-management-control balance in the budgeting process.

a. Line-Item Budgeting

The first stage of budget reform lasted roughly from the early 1920s through the Depression. The primary task during this period centered on developing an adequate system of expenditure control. In an age when personnel and purchasing controls were unreliable, the main consideration was the prevention of administrative improprieties. Since the detailed itemization of objects-of-expenditure provided the fund utilization visibility being sought, line-item budgeting became the order of the day.

b. Performance Budgeting

With the appearance of New Deal policies and programs, Government activities and expenditures grew rapidly. The commensurate increase in line-item objects-of-expenditure led to a process of aggregation. This resulted in attention being focused on the problems of managing large problems and organizations. In 1949 the Hoover Commission called for alterations in budget classifications consonant with a management orientation. It recommended that "the whole budgetary concept of the Federal Government should be refashioned by the adoption of a budget based upon functions, activities, and projects [Ref. 3]."⁷ This concept, which was labeled "performance budgeting", added the dimension of management control to the existing dimension of operational control in budgeting practices.

c. Program Budgeting

Whereas line-item budgeting had a control orientation, and performance budgeting had a management orientation, program budgeting, which characterizes the present stage of reform, stresses planning. As Allen Shick points out in his article, "The Road to PPB" [Ref. 3], three important developments influenced the evolution from a management to a planning emphasis:

(1) Economic analysis, macro and micro, has had an increasing part in the shaping of fiscal and budgetary policy.

(2) The development of new informational and decisional technologies has enlarged the applicability of objective analysis to policy making.

(3) There has been a gradual convergence of the planning and budgetary processes.

The Planning-Programming-Budgeting System now in effect in the Department of Defense is the application to budget practices of a rule formulated by economist Arthur Smithies. This rule states that "expenditure proposals should be considered in the light of the objectives they are intended to further, and, in general, final expenditure decisions should not be made until all claims on the budget can be considered Ref. 37."

2. DOD Planning-Programming-Budgeting System

When I took office in January, 1961, President Kennedy instructed me to:

1. Develop the force structure necessary to meet our military requirements without regard to arbitrary budget ceilings.
2. Procure and operate this force at the lowest possible cost Ref. 57.

ROBERT S. McNAMARA, SECRETARY OF DEFENSE

Several significant changes were made in the financial management practices of the Department of Defense during Mr. McNamara's time in office. Many of these changes were initiated by Charles J. Hitch during his four-and-a-half years as Assistant Secretary of Defense (Comptroller). They included development of the Five Year Defense Program (FYDP) and the Planning-Programming-Budgeting System (PPBS).

At the time Mr. Hitch took office, the Department of Defense financial management system could not directly provide data relating costs to major military missions. Planning was performed in terms of the "outputs" of the Defense Department (missions, weapon systems, and military units or forces), but budgeting was done in terms of the "inputs" (personnel, operation and maintenance, procurement, construction, etc.), and there was no method for translating one into the other. In the spring of 1961 Mr. Hitch proposed a programming system to Mr. McNamara that was to bridge the gap between planning and budgeting [Ref. 6_7]. In January 1962 the FY 1963 Defense Budget was submitted to Congress in terms of the newly installed system and the Department of Defense Planning-Programming-Budgeting System was underway.

3. DOD Resource Management Systems and Project PRIME

In 1965 when Robert N. Anthony took office as Assistant Secretary of Defense (Comptroller), there was a proliferation of uncoordinated management systems in use in the Department of Defense [Ref. 7_7]. Secretary of Defense McNamara assigned four major tasks to Mr. Anthony:

- (1) develop a system for management inventory and capital acquisitions,
- (2) develop a top management reporting system,
- (3) improve management education and motivation so that the new systems would be put to effective use and,
- (4) make major changes in programming, budgeting, and accounting systems by the start of FY 1968 on 1 July 1967.

a. Resource Management Systems (RMSs)

The overall program of coordinating and improving DOD management systems was called Resource Management Systems (NOTE: This term is not to be confused with the term Resource Management System, or RMS, which refers to Project PRIME, implemented on 1 July 1968). Resource Management Systems was defined [Ref. 7] as those methods and procedures used throughout the Department of Defense that:

(1) deal with RESOURCES (manpower, real property, weapons, equipment, services, materials, and supplies),

(2) are intended to assist in the MANAGEMENT of these resources (planning, programming, budgeting, acquisition, use, consumption, storage, and disposition), and

(3) constitute SYSTEMS (involve recurring, orderly cycles of planning, reporting, and feedback information).

Resource Management Systems affect the entire management process in the Department of Defense.

b. Project PRIME (RMS)

Project PRIME was the name given to that portion of the Resource Management Systems effort that was to have been accomplished by 1 July 1967 (see Appendix A). Project PRIME was the core activity in instituting Resource Management Systems. It was concerned with operating resources as contrasted with investment resources. It sought to revise existing programming, budgeting and accounting systems dealing primarily with resources financed under the Operation

and Maintenance and Military Personnel appropriations as opposed to the Procurement, Construction, or RDT&E Appropriations.

B. PLANNING-PROGRAMMING-BUDGETING SYSTEM (PPBS)

1. Concept

The DOD planning, programming, and budgeting process is designed to ensure that decisions regarding National Defense result in actions that implement those decisions. The basic approach is as follows:

- collect intelligence.
- appraise the threat.
- develop strategy based on national policy to meet the threat.-
- determine force levels to support the strategy.
- program weapon systems, manpower, and support over a period of time to attain fiscally constrained force levels.
- budget annual allocations of funds to procure men and materials required to carry out programs.

2. Cycle

The DOD PPBS operates on an 18-month cycle; however, the system is recycled annually and an overlap results. Budgeting for one year, programming for the following year, and planning for the succeeding years occur simultaneously. The cycle involves the following basic steps [Ref. 8], the timing of which is promulgated by SECDEF annually in the Program/Budget Review Schedule (see Appendix B):

(1) JCS (Joint Chiefs of Staff) submits Joint Strategic Objectives Plan, Volume I (JSOP I-Strategy) to the Secretary of Defense (SECDEF).

(2) SECDEF issues Defense Policy and Planning Guidance (DPPG) to JCS and the Military Departments.

(3) SECDEF issues Material Support Planning Guidance (MSPG) to JCS and the Military Departments.

(4) JCS submits JSOP II (Forces) to SECDEF.

(5) SECDEF issues Planning and Programming Guidance Memorandum (PPGM) to JCS and the Military Departments.

(6) JCS submits Joint Force Memorandum (JFM) to SECDEF.

(7) Military Departments submit Program Objectives Memorandum (POM) to SECDEF.

(8) SECDEF issues Program Decision Memorandum (PDM) to Military Departments.

(9) Military Departments submit budget estimates for budget year.

(10) SECDEF issues Program/Budget Decisions (PBD).

(11) Military Departments submit Budgets to SECDEF.

(12) Budget Review conducted among the Office of Management and Budget (OMB), SECDEF, and Military Departments.

(13) Five Year Defense Program (FYDP) updated.

(14) Defense Budget submitted to the President.

(15) President submits Budget to Congress.

(16) Congress reviews Budget and makes appropriations for the budget year.

3. Navy Programming Process

a. Programming

The planning required to project the Navy's needs for several years into the future is accomplished through the planning and programming system. CNO manages the Navy's participation in the DOD PPB System and the related Department of the Navy Programming System. Program sponsors are designated within CNO's organization to prepare, review, and generally monitor all actions which affect their assigned areas of responsibility. Over-all coordination and operation of the programming system is assigned to the Director, Navy Program Planning (OP-090).

b. Program Objectives Memorandum (POM)

The basis for the Navy's annual budget is its Program Objectives Memorandum as modified by the various SECDEF decision documents (i.e., PDMs, PBDs). The budget expresses, in appropriation format, the financial requirements to support approved Navy programs which were developed during the preceding planning and programming phases. The budget submission covers three years:

- (1) the actual obligations for the prior year,
- (2) estimated obligations for the current year and,
- (3) estimated obligations for the budget year (i.e., the fiscal year immediately following that in which the budget is being prepared).

Appropriation sponsors and program sponsors in CNO guide and assist the component organizations of the Navy in the development of budget estimates within their purview.

c. Five Year Defense Program (FYDP)

The Five Year Defense Program establishes the planned force structure and financial levels for the military departments for a five-year period. The FYDP is formulated annually on the basis of SECDEF decisions in response to the POMs submitted by the military departments. The FYDP is the summary of approved five-year programs for all Department of Defense components (military departments plus the defense agencies). The FYDP projects force requirements for eight years and manpower and cost data (associated with approved programs) for five years. It is the official program of the Department of Defense and is updated as changes occur in accordance with the PPBS. In order to ensure that decisions made during the planning and programming phases are implemented by proper allocation and expenditure of resources, information is collected and evaluated in terms of meaningful categories called "Programs." The ten programs now used are as follows

Ref. 9:

- (1) Strategic Forces
- (2) General Purpose Forces
- (3) Intelligence and Communications
- (4) Airlift and Sealift
- (5) Guard and Reserve Forces
- (6) Research and Development

- (7) Central Supply Maintenance
- (8) Training, Medical, and Other General Personnel Activities
- (9) Administration and Associated Activities
- (10) Support of other Nations

Each of the programs is divided into categories called "program elements." All operations of the Department of the Navy, represented by the departmental organizations, field activities, and operating forces are assigned to one or more of the program elements. The Unit Identification Code (UIC), which is assigned to each of these organizations, activities, and forces, provides the link between appropriations and programs. The account structure of elements within the programs is designed to satisfy many requirements but, in general, it is able to produce total costs displayed in two ways:

- (1) organization oriented for management use, and
- (2) mission oriented for planning and programming use.

Within the details of the ten programs, the Department of the Navy must account for all personnel, every ship and station, all material, and every dollar available to the Department.

d. OPNAV Sponsorship Roles *[Ref. 8-7]*

The concept of sponsorship is intended to facilitate overall direction of Navy programs by assigning coordinating responsibilities where the activities of several

participating organizations are involved. Sponsorship roles within OPNAV include Mission Sponsor, Function Sponsor, Program Sponsor, and Appropriation Sponsor.

A Mission Sponsor is responsible for developing the overall goals, objectives, rationale, justification and resource requirements for a specified Mission area. Implementing programs to obtain the overall goals and objectives must be time-phased to available technology, production capacity, and fiscal constraints. The Mission Sponsor has "birth to death" interest in the systems under his cognizance with reliance on other types of sponsorship for appropriate emphasis at different phases in the systems' life cycles.

The Mission Sponsor determines the priority ranking of programs or parts of programs under his cognizance. The order of priority cannot be realigned by Appropriation Sponsors without the concurrence of the Mission Sponsor. Examples of Mission Sponsors are:

- Strategic	OP-06
- Manpower and Training	
Training	OP-099
Individual Support	OP-01

A Function Sponsor is responsible for the preparation, substantiation, and justification of a Navy position on the level, composition and related direct support for a force, platform or support area. The Function Sponsor receives guidance from the Mission Sponsor relative to mission related requirements. The following are Function Sponsors:

- Surface Warfare OP-03
- Submarine Warfare OP-02
- Air Warfare OP-05
- Command Support OP-094
- Manpower OP-01
- Logistics OP-04
- Command/Administration OP-09B
- R & D OP-098
- Training OP-099
- Military Assistance OP-06

A Program Sponsor is responsible for determining program objectives, time phased support requirements, and for appraising progress, readiness, and military worth for a given weapon system function or task in support of the goals and objectives of the appropriate Mission Sponsor. The Program Sponsor is the primary Navy spokesman on matters related to the progress of the particular program.

An Appropriation Sponsor is responsible for supervisory control over an appropriation. Resource allocation must satisfy the Mission Sponsors' goal and objectives and support the force levels and program objectives of the Function and Program Sponsor. The Appropriation Sponsor functions as the primary Navy spokesman on matters relating to the resource requirements of various programs and must coordinate with Mission and Program Sponsors to ensure that a balanced presentation of these requirements is made.

Program Sponsors are responsible for effecting coordination with Appropriation Sponsors when dollar resources become or threaten to become insufficient to meet program requirements. Similarly, Appropriation Sponsors are responsible for effecting coordination with cognizant Program Sponsors when formulating financial programs affecting resource requirements for approved programs.

4. Navy Budgeting Process [Ref. 2]

The Comptroller of the Navy (NAVCOMPT) is responsible for setting the procedures for preparation and administration of the Navy's budget. He consolidates budget formulation guidance received from several sources, both at the Office of the Secretary of Defense (OSD) and the Department of the Navy (DON) level, and furnishes this information to all echelons in a single document known as the "budget call."

The Comptroller's staff receives and reviews the budget estimates compiled in response to the budget call and then coordinates with the Chief of Naval Operations (CNO) and the Commandant of the Marine Corps (CMC) for appropriations concerning their respective missions in order to discern and reconcile differences of opinion. The Comptroller then makes recommendations to the Secretary of the Navy for his consideration.

The Comptroller and his staff supervise the revision of budget estimates to reflect the decisions of the Secretary of the Navy and prepare the formal summary submission to the

Secretary of Defense (SECDEF). The staff analysts participate in and coordinate hearings with OSD and Office of Management and Budget (OMB) examiners involving Department of the Navy appropriations. The analysts obtain additional supporting data for the Navy's budget and assist in the preparation of responses to proposed OSD budget decisions. When final decisions of the Secretary of Defense, OMB and the President are communicated to the Department of the Navy, the NAVCOMPT staff arranges for preparation of the Navy's budget schedules for the President's Budget. They also assemble the justifications and other data needed to support the budget estimates before Congress. The Comptroller, with his staff, directs the budget process during Congressional hearings concerning the Navy's appropriations by providing appropriate representation, by supplying additional information requested by the Appropriations Committees, and by performing a continuing financial liaison function with the Congress.

Following enactment of an appropriation, it is generally necessary to submit an apportionment request to OMB and OSD. The basic purpose of the apportionment procedure is to prevent obligating annual funds at a rate that depletes available funds well before the end of the fiscal year. Funds are therefore requested and allocated in terms of a quarterly basis to avoid such deficiencies. The Comptroller guides the preparation of apportionment requests and supporting material, reviews the estimates of the various Department

of the Navy Components, and makes the formal submission to OSD. The apportionment request in effect constitutes the financial plan for executing the budgeted program. As in the case of a budget request, it is reviewed jointly by OSD and OMB examiners with hearings scheduled as required.

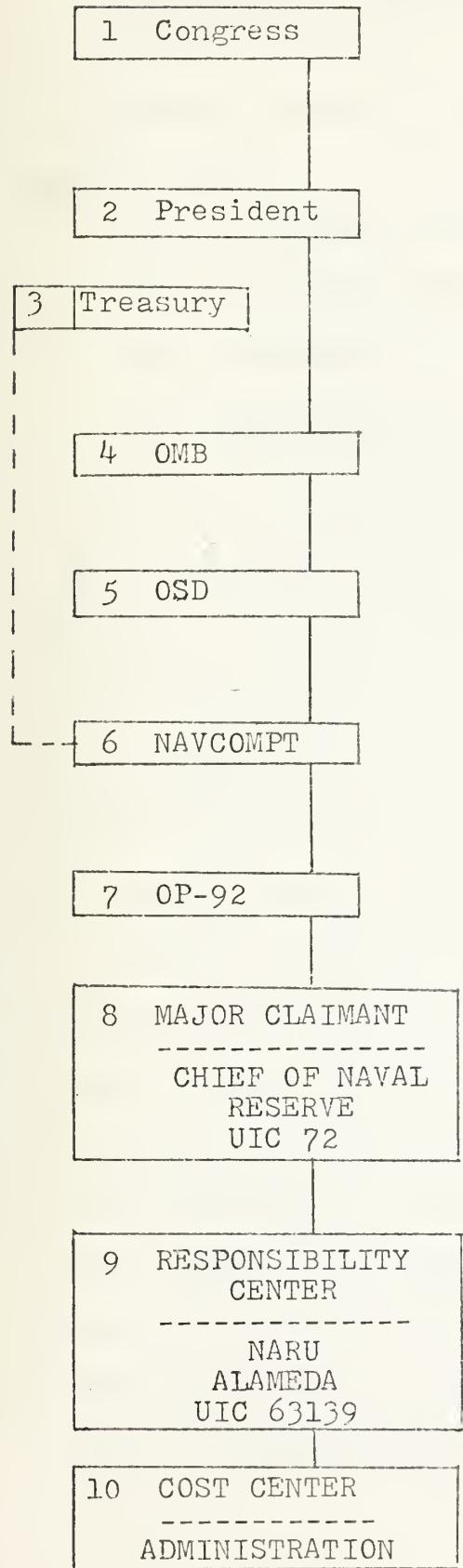
Prior to the beginning of the fiscal year, OSD provides to the Department of the Navy a schedule of financial authority (or operating budget for operations accounts) which establishes the responsibility for control of each appropriation. This includes controls at levels below the appropriation total and any other statutory or administrative limitations. Within these controls and limitations the Comptroller allocates funds to the Chief of Naval Operations for the purpose of operations, military personnel, and military construction under Navy Appropriations.

During the apportionment preparation and review prior to the beginning of the fiscal year, CNO sponsors participate in the various levels of review and hearings. The Comptroller allocates funds provided by the appropriations Operation and Maintenance, Navy (O&MN) and Operation and Maintenance, Navy, Reserve (O&MNR) to CNO. The OPNAV Fiscal Management Division (OP-92), with guidance from the Director of Navy Program Planning (OP-090), establishes operating budgets for the major claimants to the Operations, Navy account. The major claimants in turn make funds available to subordinate echelons

(see Figure II-1, Appropriation Fund Flow). The Comptroller also allocates the major Navy Accounts for procurement: Aircraft Procurement, Navy (APN), Weapons Procurement, Navy (WPN), and Other Procurement, Navy (OPN); military personnel: Military Personnel, Navy (MPN) and Reserve Personnel, Navy (RPN); and military construction: Military Construction, Navy (MCN) and Military Construction, Naval Reserve (MCNR) to CNO. Again, funding levels are determined and sub-allocations are made to subordinate echelons. (NOTE: There is no Naval Reserve Procurement Appropriation.)

Throughout the course of the fiscal year or the life of the appropriation, the Comptroller's staff conducts a continuous review of financial performance against budgetary plans and programs. When performance indicates to the administrators of the various appropriations or funds the need for additional apportionment, reallocation or reprogramming of available funds, or, in some cases, the need for supplemental appropriations, they submit appropriate documentation to the Comptroller to support the desired change. The Comptroller's office reviews the request, forwards it to OSD if action is required at that level, and passes any revised allocations to the funds administrators.

APPROPRIATION FUND FLOW *[Ref. 10, 11]*
 (OPERATION & MAINTENANCE, NAVY RESERVE)



1. Congress annually enacts appropriations for DOD by fiscal year. One sub-title under these Acts is: OPERATION AND MAINTENANCE, NAVY RESERVE.
2. The President approves the appropriation and signs it into law.
3. After the appropriation becomes law, the Treasury issues a warrant, countersigned by GAO, to the proper department.
4. OMB apportions funds to the Navy, usually on a quarterly basis, subject to the approval of OSD.
5. OSD reviews and approves Navy apportionment requests going to OMB and releases the approved apportionment from OMB to NAVCOMPT.
6. NAVCOMPT, who submits apportionment requests to OMB via DOD, receives the apportionment and allocates these funds to OP-92.
7. OP-92 allocates funds to various major claimants through issuance of operating budgets.
8. Chief of Naval Reserve, who receives allocations as a major claimant, issues operating budgets to his various responsibility centers by means of a RESOURCE AUTHORIZATION (NAVCOMPT FORM 2168-1).
9. The Commanding Officer of NARU Alameda, a responsibility center, upon receiving his RESOURCE AUTHORIZATION (which is assigned on a quarterly basis) informs his cost centers as to their quarterly expenditure level.
10. Each cost center obligates/expends allocated funds as they perform their assigned tasks.

FIGURE III-1

C. RESOURCE MANAGEMENT SYSTEMS (RMSS)

The Resource Management Systems, which have been developed to improve management at all levels throughout the Department of Defense, consist of four interrelated subsystems

[Ref. 12]:

- (1) Programming and Budgeting.
- (2) Management of Resources and Operating Units.
- (3) Management of Inventory and Similar Assets.
- (4) Management of Acquisition, Use, and Disposition of Capital Assets.

Item (2), the subsystem for the management of resources for operating units, involves the Operations and Maintenance and Military Personnel Appropriations. These appropriations represent the major portion of the Navy Budget. To improve the management of these resources the Department of Defense implemented Project PRIME (PRiority Management Effort).

D. PROJECT PRIME (RMS)

Project PRIME was implemented as a revised system for internal budgeting and accounting for operations of the armed forces [Ref. 13]. This new system was to provide for expense accounting in terms of the FYDP and obligation and disbursement reporting in terms of the appropriations made available for Operations and Maintenance and Military Personnel. It was designed, therefore, to provide both information that could be used for internal DOD management needs in terms of the FYDP and information to fully support

external budgeting considerations in terms of the existing appropriation structure. It was to establish the essential missing link between planning/programming data and budget data.

1. Pre-PRIME Problems

The Department of Defense had been making decisions in terms of the FYDP for several years, however, financial management of operations was not consistent with the Department's mission as depicted in the FYDP; therefore, a significant gap in the management process existed. Command management, which conformed to the FYDP mission/decision structure, was not entirely consistent with financial management and management control.

The authority for the use of resources did not always match the responsibility given to commanders for mission accomplishment. To the extent that this situation existed, the commander was inhibited in taking the resource actions necessary to fulfill his mission responsibilities.

The existing accounting structure did not produce information on actual resources used in the categories in which planning decisions were made. Therefore, information that could be used for determining whether cost estimates had been relatively accurate, and/or that could be used as a basis for future planning in like terms, was not readily available.

Because the existing accounting system had not been structured in the terms used in planning, top managers found

it difficult, and in some case nearly impossible, to determine whether the decisions they had made had been implemented in the way that was intended. This was not the case for major decisions, but for the greatest number of actions it was often difficult to follow decisions through to their implementation.

2. Internal Management Needs

Through Project PRIME, the Department of Defense sought to establish consistency between the financial management of operations and the planning and command structure by internal budgeting and accounting with a new standard account structure. The classifications within internal operating budgets were to be the structure of the FYDP. The major aspects of internal financial management (budget preparation, internal budget analysis, issuance of financial authority, accounting and review) were to focus on programs and missions. Accounting reports were to be in terms of programs, thereby focusing internal management review on the total operating resources used to accomplish specific parts of the DOD mission.

3. External Budgetary Considerations

In addition to being summarized in terms of the FYDP structure, expenses were to be identified by functional category and element of expense. A functional category was to be a type of activity within a program for which the expenses were incurred, such as maintenance, supply, and mission operations. Elements of expense were to represent

the kind of resources used, such as supplies, fuel and oil, or civilian labor. These classifications were to ensure that data was available in the detail and classifications needed for budget review at various levels, especially the review by the Congress of Department of Defense appropriation requests.

4. Unit Identification Code: Program/Budget Data Link

The new system was to enable the Department of Defense to meet the requirement for internal management in the terms in which it made its plans, without affecting the availability of information in the conventional budget activity classifications. This link between planning/programming data and budget data was established by assigning each operating budget holder a Unit Identification Code (UIC) [Ref. 14]. For the Navy, the Navy Programming Manual lists program elements and the Navy Comptroller maintains a current dictionary of assignments of organizational units to program elements (See Figure II-2: UIC as PROGRAM/BUDGET DATA LINK).

5. Post-PRIME Problems

Project PRIME (RMS) was implemented 1 July 1968. In 1973, the Naval Audit Service Northwest Region was directed to conduct a service-wide audit of RMS reporting procedures to determine the responsiveness of RMS to the management of resources by operating units [Ref. 15].

Audit coverage included:

- (1) the preparation and utilization of RMS reports.
- (2) the extent to which RMS indicates the status of obligational authority.

UNIT IDENTIFICATION CODE (UIC) AS

PROGRAM/BUDGET DATA LINK Ref. 10

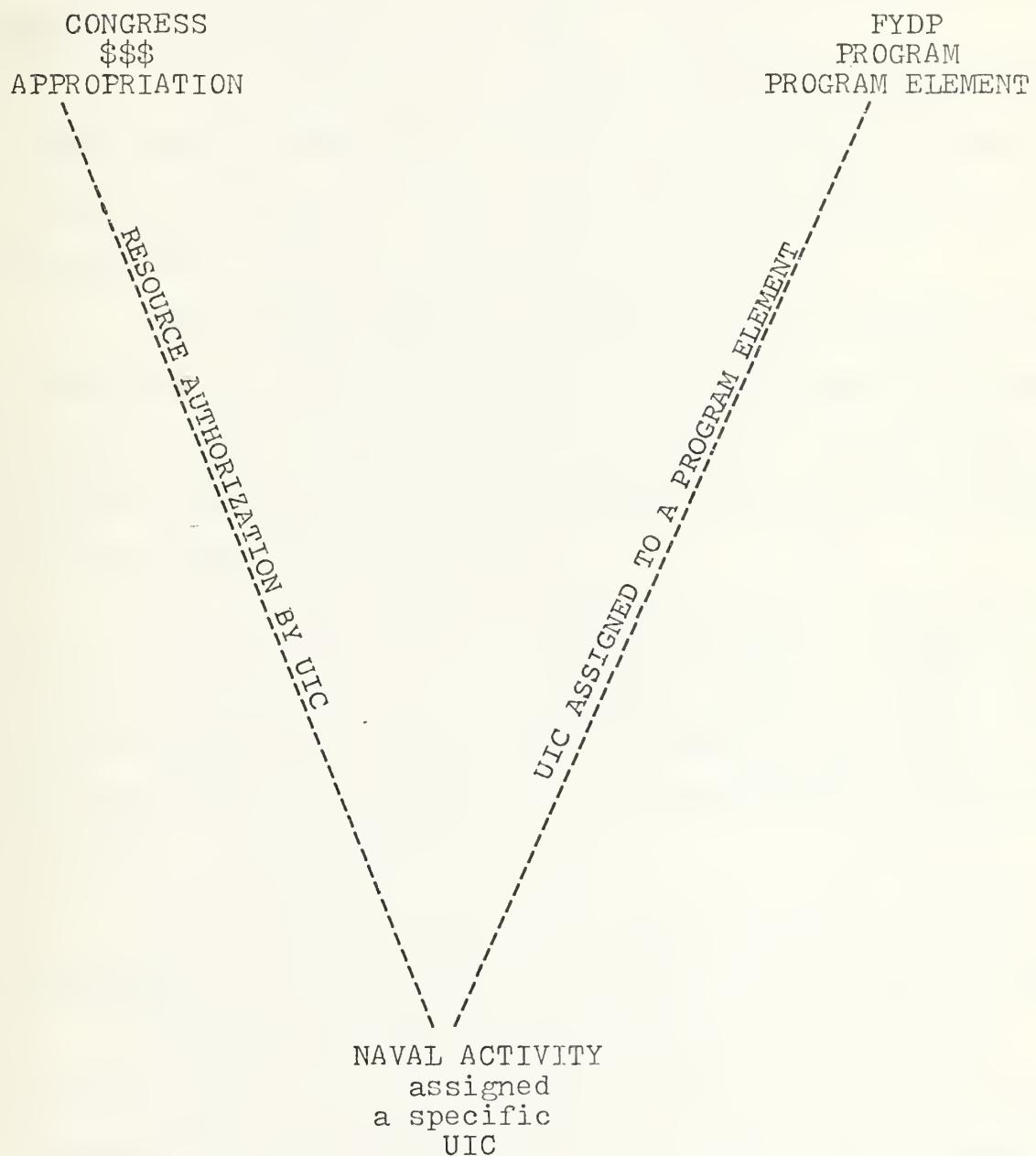


FIGURE II-2

(3) the extent of duplication between financial and cost reporting, and the feasibility of developing uniform data to satisfy both requirements.

(4) the additional reporting requirements imposed on shore field activities by higher echelons.

(5) consideration of the interrelation of RMS with other resource management systems, particularly with the system for programming and budgeting and the system for management of inventory and similar assets.

The implementation of RMS introduced to operations funded from O & M appropriations, accounting and management concepts such as accrual-basis accounting, total activity costing (including military personnel costs), and performance measurements using work units.

At the time RMS was under development, DOD anticipated that each Service's future operations would be funded by a single "Operations" appropriation instead of by separate Military Personnel and Operation and Maintenance appropriations, and RMS was designed accordingly.

A high level of interest in RMS problems by top Navy management led to the selection of RMS for servicewide audit.

Because DOD operations continue to be funded by separate appropriations and RMS had not been appropriately modified to satisfy management needs under present funding arrangements, a major problem exists. This and other system-related problems, which are identified in the audit, are widely recognized.

RMS requires substantial modifications if it is to be fully responsive to local management needs. Corrective actions, which were already underway in many instances, made any further recommendations by the auditors unnecessary.

III. THE NAVAL RESERVE AND THE TOTAL FORCE POLICY / Ref. 16 /

Members of the National Guard and Reserve... will be the initial and primary source for augmentation of the active forces in any future emergency requiring a rapid and substantial expansion of the active forces / Ref. 17.

The nation's total force concept has become a total force policy which has the full support of the Congress, the Office of the Secretary of Defense and the services. The Navy is approaching the task of making the total force a reality with full recognition and acceptance of the vital role that the Naval Reserve has played in the past and the increased role it must play in the future.

Because of rapidly changing active force structure and levels, and other uncontrollable factors, coordinated planning for active and Reserve forces has not been consistently achieved. This situation is being rectified. First, it was realized that there was no one office in the OPNAV staff responsible for the total force. Total force planning coordination responsibility is now held by one of the Plans, Policy and Operations branches. Next a decision was made to adopt a sequential approach to the problem:

- (1) Develop a basic policy to define the role of the Reserve component in the Navy total force.
- (2) Refine the structure and rationalize the size of the Reserve component in accordance with this policy.

(3) Correlate and update all of the Navy's mobilization plans to optimize the total force contribution in execution of the national strategy.

A. CNO NAVAL RESERVE POLICY

On 25 October 1974 the Chief of Naval Operations promulgated his new Naval Reserve policy [Ref. 17]. It is essential that one underlying premise of that policy, which is fundamental to the Navy's approach in planning, be understood. That premise, given the probable character and duration of any future war, is that the size of the Navy total force is driven primarily by the number of minimally capable ships and aircraft in service or reserve at the time.

There is then a practical maximum size of total force defined by factors essentially beyond the control of the Navy: it is a total hardware inventory characterized by a modernizing input added at the top while units of marginal combat effectiveness are retired at the bottom. This means that the Navy can achieve a total force based on pure "requirements" for either a "worst case" or "probable case" contingency, only if the threat to the national interest or the Navy's mission diminishes drastically and neither is likely in the foreseeable future.

B. NAVAL RESERVE SIZE AND STRUCTURE

The initial effort to define the size and structure of the Naval Reserve focused on the manpower requirements of the Selected Reserve. This is an area that the Navy has had major problems in obtaining OSD and Congressional funding support. The Navy's previous inability to produce tight rationale and detailed justification for the numbers requested has led to recent strength cuts which have contributed so much to the present turmoil in the Naval Reserve Community.

First, the manpower requirements of those organized reserve units with organic equipment (ships, aircraft squadrons, construction battalions, cargo handling battalions, inshore undersea warfare units, etc.) were reviewed and validated. These units represented the earliest increments of capability that could be added to the active component and they warranted Selected Reserve manning in entirety. As a starting point, the units programmed to be supported in the currently approved Five Year Defense Plan were examined. The mission of each unit was verified and then the manpower allocations to each unit were screened and validated.

Next the augmentation manpower requirements for the active force ships, squadrons and afloat staffs were considered. The baseline used was the most current mobilization manpower allocation/requirement plan (M-MARP). The Mobilization Day Increments reported in the M-MARP were examined for reasonability and accepted as properly allocable to the

Selected Reserve. Further efforts will be needed to refine the figures, but there is now an increased order of confidence in the validity of these new preliminary totals.

The final step, which is also an ongoing one, was to examine the augmentation requirements for the shore establishment. This is a formidable task, since the size of the shore establishment has an imprecise relation to: the size of the force being supported, the locale and duration of a conflict, the time-phasing of the buildup to support the engaged forces, the realistic absorption rate of existing and reactivated facilities, and many other factors. As a starting point, the more than 7,000 activities currently listed in the M-MARP are being reviewed for the criticality of M-Day requirements. Those critical activities having the earliest mobilization requirements are considered properly allocable to the Selected Reserve.

C. TOTAL MOBILIZATION PLANNING

Using the new Naval Reserve Policy as one benchmark and two "worst case" scenarios (one in the Atlantic and Mediterranean and one in the Pacific) as another, the Navy is reviewing the existing operation plans of the major commands involved. This is being done to revalidate the time-phased total naval force requirements under the two scenarios. These requirements will be compared with the programmed total force to determine the hardware shortfalls which must be made up from other mobilization assets or new construction.

Having refined these hardware parameters, the Navy can revalidate the phased requirements to man these units. There will also be a firmer basis for establishing the similarly time-phased shore establishment requirements. There are several sources available to supply the required manpower. First the Ready Reserve, then new enlistees, the Inactive Reserve, Fleet Reserve, and similar reservoirs of experienced personnel would be mobilized.

Having revalidated the size of the operating forces and supporting shore establishment at various stages through full mobilization, the Navy can proceed to update and correlate all of the many supporting mobilization plans. Then plans for the Selected Reserve can be refined and a better basis for sizing and structuring the Ready Reserve will be available. In this way the Navy can ensure a coherent organization and structure that not only makes the total force a reality but also maximizes the capability to accomplish its mission in the future.

IV. MANAGEMENT OF THE NAVAL RESERVE

Funding is policy and in no place is this more apparent than in the budgeting process in the Department of Defense [Ref. 18].

We must remember always that the basic element of strength in any nation is not in its machines but in its manhood [Ref. 19].
BERNARD BRODIE, A GUIDE TO NAVAL STRATEGY

There are three very fundamental management principles contained in the above statements: policy points the way toward achieving organizational goals, and funding substantiates or denies the forcefulness of policy statements, but it is always people and their attitudes that determine whether or not policy becomes reality.

As stated in Chapter I, INTRODUCTION, the purpose of this thesis is threefold:

(1) The first purpose is to explore the evolution of the financial management system used by the Department of Defense and how the Department of the Navy interfaces with the current process. Understanding of the funding process is essential because it is within the financial management system of an organization that many of its policies are substantiated or rendered lifeless. Chapter II, FINANCIAL MANAGEMENT IN THE DEPARTMENT OF DEFENSE/DEPARTMENT OF THE NAVY, fulfilled this requirement.

(2) The second purpose is to examine development of the Naval Reserve role in the Navy's emerging Total Force Policy.

Because of President Johnson's decision in 1965 to use draftees for expansion of the war in Vietnam, the Reserves were pre-empted in their role as "the initial and primary source for augmentation of the active forces [Ref. 20]." Therefore, it was necessary to ensure awareness of the current role of the Naval Reserve under the Navy's Total Force Policy. Chapter III, THE NAVAL RESERVE AND THE TOTAL FORCE POLICY, attempted to accomplish this purpose by making it clear that the Chief of Naval Operations intends for the Naval Reserve to be ready to fulfill its vital role of supplementing the active forces in accordance with the Navy's Total Force Policy.

(3) The third purpose is to evaluate progress with key Naval Reserve management problems which affect attainment of the Navy's Total Force Policy. This chapter deals with three major problem areas: funding, attitudes, and education.

The basic approach to the first two problem areas centers around the Reserve Bill of Rights and Vitalization Act of 1967 (Vitalization Act). First, the existence of problems is suggested by examining trends in legislation leading up to and including the Vitalization Act. Then, the persistence of these problems is confirmed by reference to recent management literature, interviews with Navy managers, and/or personal experience. Finally, current progress with these problems is outlined and evaluated. The third area, education, is of special interest because it is through the use of effective educational techniques that the systems and attitudes of men can be improved and solutions to problems found.

A. FUNDING

The basic rationale for maintaining reserve forces rests on economic grounds. If resources were unlimited, enough active forces could be maintained to meet all possible contingencies. Or if forward deployments or early deployments were considered unnecessary, all forces could be reserves. Since neither is the case, some mix of those forces provides maximum military capability within a given budget level [Ref. 1].

Given the rationale for maintaining reserve forces, and given the Navy's legal requirement to support and develop these forces, one might agree that proper funding of these forces should be forthcoming. As the following discussion suggests, this has not always been the case with the Naval Reserve.

1. Reserve Legislation

By the Naval Reserve Act of 1925, Congress tasked the Secretary of the Navy with supporting and funding the Naval Reserve as follows:

In support of the Naval Reserve, the Secretary of the Navy is to make available vessels, material, armament, equipment, and other facilities of the Regular Navy, as he deems necessary for its development....Funds necessary for the support of the Naval Reserve are authorized to be appropriated annually from the Treasury. The Secretary of the Navy will submit annually, with the estimates of the Navy Department...the estimated amount necessary for all purposes for the Fleet Naval Reserve... [Ref. 2].

The Armed Forces Reserve Act of 1952 [Ref. 22] reaffirmed the responsibility of each Service Secretary to maintain mobilization forces by proper planning and budgeting. The Reserve Forces Bill of Rights and Vitalization Act of

1967 [Ref. 23] stated that the Secretary of the Navy is responsible for providing the personnel, equipment, facilitates, and other general logistic support necessary to enable units and individual Reservists of the Naval Reserve to satisfy the training and mobilization readiness requirements recommended by the Secretary of the Navy and the Joint Chiefs of Staff and approved by the Secretary of Defense. The trend indicated by the Acts cited here is that of increasing emphasis on the responsibility of the Navy to adequately fund and support its Reserves. This trend suggests that adequate funding and support of the Naval Reserve has been a continuing problem area.

2. Persistent Problems

A recently conducted Naval Reserve Management Study [Ref. 24] confirmed the existence of inadequate procedures for properly funding and supporting the Naval Reserve. The problems delineated by the study emphasized five basic issues in the area of funding and support:

(1) PPBS Inputs

- there was no centralized coordination of Reserve planning, programming, or budgeting of resources.

- exercise of the Reserve Program Sponsor role was inconsistent and, in some instances, virtually nonexistent.

- inclusion of Reserve requirements in the Navy's POM had been fragmented.

(2) Major Claimancy

- major claimancy was important in establishing and influencing Reserve resource allocations.

(3) Command Line Funding

- the principle of command line funding had been violated in the case of the Naval Air Reserve.

- the anomaly of separate dollar flow and command lines had caused management problems for the Reserves.

(4) RMS Procedures

- RMS principles and guidance would have to be followed if the Reserve were to better manage its resources.

(5) Resource Separation

- Reserve resource requirements had not been visible to most Navy Department financial managers.

3. Current Progress

A great deal of progress has been made in the area of funding and support of the Naval Reserve; however, much more remains to be done before a sufficiently effective balance is reached in the resource allocation/budget execution process. Progress with problems in this area will be presented in three phases with specific reference to the problems listed in the preceding section (IV.A.2.).

a. PPBS Inputs

On 21 August 1970, the Secretary of Defense issued a memorandum *[Ref. 24]* to the Secretaries of the Military Departments. This memorandum emphasized the Total Force

Concept and demanded that Reserve planning be concurrent with active force planning. Progress with problems involving Naval Reserve participation in the DOD resource allocation process has been substantial. The Office of the Director of Naval Reserve (OP-09R) has been established under the Chief of Naval Operations in Washington, D. C. OP-09R is Appropriation Sponsor for the O&MNR, RPN, and MCNR appropriations. OP-09R is also the Program Sponsor for designated elements of programs, and as such has a POM Development/Programming Branch in its Resources Programming Division (see Appendix C).

That the Department of the Navy is currently attempting to achieve meaningful support and realistic funding of the Naval Reserve is further indicated by the following excerpt from initial CNO guidance in 1974 for the development of the Department of the Navy Program Objective Memorandum for Fiscal Year 1977:

OP-09R will monitor the progress of POM-77 development, coordinating with Force and Mission Sponsors as required, and ensuring that POM resources are programmed to support the planned role of the Reserves. Force and Mission Sponsors will likewise maintain close liaison with OP-09R during POM-77 development in order that all issues which directly affect the Naval Reserve are properly addressed. In executing his specific responsibilities, OP-09R will review and comment on issue papers relating to mobilization requirements, Reserve modernization, and Reserve force levels (including adequacy of support to sustain or improve readiness of these force levels) Ref. 25.

b. Major Claimancy/Command Line Funding/RMS

Procedures

On 12 August 1969, the Secretary of Defense issued a memorandum [Ref. 24] to the Secretaries of the Military Departments assigning control of funds designated for Reserve forces to the Chiefs of the Reserve Components. The Chief of Naval Reserve is now a major claimant who is responsible for Naval Reserve budget formulation, justification, allocation, execution, accounting, and reporting.

A review of the management of the FY-74 O&MNR appropriation at NARU Alameda [Ref. 11] provides a good example of current Naval Air Reserve Financial management (RMS) procedures. By Public Law 92-570 [Ref. 28], Congress established O&MNR as a separate appropriation for the Naval Reserve. This appropriation was designated 17-1806. The subheads to be used under this appropriation are as shown in Figure IV-1 (OPERATION AND MAINTENANCE, NAVY RESERVE APPROPRIATION).

On 16 June 1972, Commander Naval Air Reserve (COMNAR) issued a Budget Call for FY-74 to NARU Alameda (UIC 63139), which is one of its Responsibility Centers [Ref. 14]. Instructions and forms for the preparation and submission of the FY-74 NAVCOMPT Budget were provided. On 14 June 1972, the Commanding Officer of NARU Alameda had anticipated the COMNAR Budget Call by issuing a Budget Call for FY-74 to his Cost Centers. On 12 July 1972 NARU Alameda

OPERATION & MAINTENANCE, NAVY, RESERVE
APPROPRIATION [Ref. 26, 27, 28]

By Public Law 92-570, Congress established a separate appropriation for Naval Reserve operation and maintenance. Within the appropriation three Budget Activities were established: BA-1 Mission Forces, BA-2 Depot Maintenance, and BA-3 Other Support. The appropriation is identified as 17_ 1806.

17 Navy

— Fiscal Year (see 1751806 below: FY 1975)

1806 Operation & Maintenance, Navy Reserve

The CNARES O&MNR Appropriation 1751806 subhead structure is as follows:

TYPE "B" REPORTS:	.7210	.7220	.7230
SUBHEADS:	.7211 BA-1 AIR	.7231 BA-3 AIR	
	.7212 BA-1 SURFACE	.7222 BA-2 SURFACE	.7232 BA-3 SURFACE
			.7233 BA-3 AIR(S)
			.7234 BA-3 SURFACE(S)
			.7235 BA-3 CNR HQ

- NOTES:
- (1) The Chief of Naval Reserve, as a major claimant, is assigned Unit Identification Code (UIC) 72.
 - (2) CNARES as major claimant submits type "B" reports to CNO at the .7210 (BA-1), .7220 (BA-2), and .7230 (BA-3) level.
 - (3) NAVCOMPT Form 2168-1 is used in making subhead .7211/.7231/.7212/.7222/.7232 resources available to OB holders. Subheads .7233/.7234 (special "self-help" projects are centrally managed by CNR HQ. Subhead .7235 is used to fund CNR HQ (Staff).

FIGURE IV-1

submitted its FY-74 funding requirements to COMNAR. Requested funds were broken down by Functional/Subfunctional Categories, Budget Classification Codes, and Elements of Expense as required by RMS procedures. On 4 April 1973, COMNAR issued the FY-74 Apportionment Call to its Responsibility Centers. On 23 April 1973, NARU Alameda submitted its updated FY-74 funding requirements with justifications. On 23 August 1973, COMNAR provided NARU Alameda with its operating Budget for FY-74 in two parts. One part was a Resource Authorization (NAVCOMPT FORM 2168-1) under appropriation number 1741806, subhead .7211 and the other part was a Resource Authorization under the same appropriation, subhead .7231. On 26 September 1973, NARU submitted its updated Financial Plan as required by RMS procedures.

The problems concerning major claimancy and command line funding have been fundamentally solved. As has been stated, the Chief of Naval Reserve is a major claimant. Furthermore, requests for and allocation of funds now go up and down the chain of command as outlined above. As far as RMS procedures are concerned, reference to the example afforded by NARU Alameda's management of its FY-74 O&MNR appropriation and a review of applicable Chief of Naval Reserve instructions [Ref. 26, 27, 28] indicate that RMS procedures have been instituted and are being followed by the Naval Reserve. Discussions with the NARU Alameda Deputy Comptroller [Ref. 11] reveal that the Reserves experience the same difficulties as the Regulars [Ref. 15 and 29] with regard to RMS procedures.

c. Resource Separation

On 24 May 1971, the Assistant Secretary of Defense (Manpower and Reserve Affairs) issued a DOD Directive [Ref. 30_7] which directed the Secretaries of the Military Departments to "assure that Guard and Reserve forces are funded, equipped, manned and trained, and given sufficient logistical support, to ensure their readiness for active duty and deployment in accordance with contingency plans and planning, programming, and budget guidance."

Procurement of Reserve equipment and supplies was to be accomplished through the existing Service procurement system and budgeting for major Reserve equipment needs was to be under the active force procurement appropriation. However, separate program and budget identification for Reserve component funds were to be established and the Military Departments were to maintain separate records for all Reserve funding and separate controls over encumbrance of those funds.

The Chief of Naval Reserve was to be responsible for justifying Naval Reserve requirements and through established financial management channels was to manage the funds appropriated by Congress for Reserve personnel (RPN), operation and maintenance (O&MNR), and construction (MCNR) programs. Requests for diversion of resources originally budgeted in support of Reserve activities to other than Reserve support were to be forwarded for the personal approval of the Secretary of Defense.

These provisions for separation and protection of funds and equipment programmed for Reserve use have been steps of major importance in ensuring proper support and funding of the Naval Reserve. However, the author is of the opinion that Regular/Reserve competition for scarce resources continues to adversely affect Reserve combat-readiness. During interviews with personnel associated with budget execution, the author was led to believe that sometimes funds allocated for Reserve use were expended for Regular use without Reserve concurrence. Examples were cited, but when the matter was pursued the consensus of those involved was that pinning down specific details and individuals would be very difficult and more harmful than beneficial. The shift of funds might have been justifiable in some of the alleged instances, but one thing is certain: the Reserve Units for which the funds were originally intended did not increase their combat-readiness as a result of the transaction. Work is continuing in the area of fencing funds intended for Reserve use. A good example of progress in this matter is a recent change concerning aircraft procurement (APN) funds [Ref. 31]. Funds for modification of Reserve aircraft under the Modification Account (APN-5), are to be listed separately beginning with the FY-76 Budget. This increased visibility of Reserve resource requirements is a very important step toward ensuring that funds allocated for Reserve use are also expended for that purpose.

B. ATTITUDES

A sharpening of [the competition between Regular and Reserve] was reflected by a key Pentagon official in testimony presented to the Senate Armed Services Committee, in which he identified as one of the major constraints to the development of a visible and credible reserve force "ingrained attitudes-the 'we versus they' approach-the declination of responsibility for Guard/Reserve problems-the view that any move to upgrade reserves would downgrade Active Forces [Ref. 1]."

On 28 February 1925 Congress acted to provide for the creation, organization, administration, and maintenance of a Naval Reserve. The introduction to the Naval Reserve Act of 1925 reads:

...the Naval Reserve Force, established under the Act of August 29, 1916, is hereby abolished, and in lieu thereof there is hereby created and established, as a component part of the United States Navy, a Naval Reserve....
[emphasis added] [Ref. 21].

Congress intended the Naval Reserve to be "a component part of United States Navy," not an ineffectual appendage to be cut adrift in a sea of frustrating ambivalence or simmering hostility because of a lack of command attention on the part of those to whom Congress had entrusted its development. Yet a perusal of the laws that have been passed since 1925 for the purpose of providing the United States with a readily-responsive, combat-ready Naval Reserve, reveals the hard-to-ignore fact that each successive law shows that Congress felt it necessary to stress Regular/Reserve unity in an attempt to turn around the self-perpetuating problem of a poor Regular/Reserve working relationship and to preserve the

Reserve viewpoint. This problem of Regular/Reserve attitudes is the basis of many significant Naval Reserve management problems.

1. Reserve Legislation

Although the Regular Navy and the Naval Reserve were supposed to operate together as an efficient, integrated team from the very beginning, the fact is that the Regular Navy has never accepted the Naval Reserve as a full-fledged partner.

In the 1938 [Ref. 32], Congress reiterated its intention that the Naval Reserve be a component part of the United States Navy. It also directed that a Naval Reserve Policy Board be established for the purpose of advising the Secretary of the Navy on the formulation of Reserve policies. The Board was to be convened annually at the Navy Department and at least half the members were to be Naval Reserve officers called to this duty from an inactive duty status. The latter requirement would ensure presentation of the Reserve viewpoint.

In 1952 [Ref. 22], it was written into law that "the bureaus and offices of the Navy were to hold the same relation and responsibility to the Naval Reserve as they did to the Regular Establishment [and that] there shall be no discrimination between and among members of the Regular and Reserve components in the administration of laws applicable to both Regulars and Reserves [emphasis added]." In addition each of the Armed Forces was directed to maintain

officer members of their Reserve components on active duty at the seat of Government and at such headquarters as were charged with responsibility for Reserve affairs and to assist and participate in the preparation and administration of all policies and regulations affecting the Reserves. It was also at this time that a Reserve Forces Policy Board was established in the Department of Defense. These provisions again indicate a desire on the part of Congress to ensure adequate presentation of the Reserve point-of-view.

In 1967 [Ref. 23], the then newly established Assistant Secretaries for Manpower and Reserve Affairs of the Army, Navy, and Air Force became members of the Reserve Forces Policy Board. This Board was to act through the newly established Assistant Secretary of Defense for Manpower and Reserve Affairs as the principal policy adviser to the Secretary of Defense on matters relating to the reserve components.

The trend of increasing emphasis on equal treatment of Reserves and Regulars and added provisions for ensuring Reserve inputs to policy matters points to a continuing problem with the Regular/Reserve working relationship.

2. Persistent Problems

In 1946, Secretary of the Navy James Forrestal, believing the Naval Reserve to be a vital part of the Navy, tried to establish the principle of integrated management. The Reserve was to be supported by, and to function with, the active Navy as a single entity. The Naval Reserve was

not to be a separate force commanded and administered unto itself, but a force to be directly involved with the active operating forces under the command of the Chief of Naval Operations. His attempt to institute this concept had questionable success. As recently as 1972, a Naval Reserve Management Study sponsored by the then Deputy Chief of Naval Operations (Manpower and Naval Reserve), now Deputy Chief of Naval Operations (Manpower), OP-01, cited the following problems as contributing to "a Naval Reserve lacking direction, visibility, and the resources to be a viable and dynamic force [Ref. 33]."

The responsibility for general, overall Reserve program coordination was only suggested by the OP-01 charter and, likewise, the charters for many other offices, bureaus, and commands at the Departmental level did not spell out completely their responsibilities for support of Reserve programs. There was no established policy concerning where the responsibility for Reserve program sponsorship should be placed. Reserve representation in the conduct of Naval Reserve business was not uniformly provided, there were areas at the Departmental level in which Reserve liaison and support personnel had not been assigned, and the unique nature of Reserve management and program support was not understood. The existence of these circumstances is another indication of unintegrated Regulars and Reserves.

As a Regular Navy officer during the period 1961 through 1969, the author can remember briefings by squadron commanding officers and department heads to the effect that the Reserves (who were to be hosted by the squadron during their two weeks annual active duty) were to be tolerated much the same as house guests of questionable repute, were not to be trusted (i.e., lock up everything that is not nailed down), and they should not exist anyway because the Reserve organization is a waste of the taxpayers' money. As a Naval Reserve officer on active duty during the period 1970 through 1973, the author can recall the lack of communication and cooperation between Regular Navy commanding officer host and Reserve Navy commanding officer tenant at an East Cost Naval Air Station. Poor working relationships among Regulars and Reserves is a persistent and perplexing problem.

3. Current Progress

Although progress seems at times to be discouragingly slow in improving the Regular/Reserve working relationship and in including the Reserve viewpoint in the process of top level Navy decision-making, organizational and management changes have been made which hold the promise of better times.

The Reserve Forces Bill of Rights and Vitalization Act of 1967 [Ref. 23] authorized the Secretary of the Navy to designate a flag officer under his jurisdiction to be directly responsible for Naval Reserve affairs to the Chief of Naval Operations. Since that time a Regular Navy Vice



Admiral (at this time VADM P. N. CHARBONNET, JR.) has been appointed Chief of Naval Reserve with Headquarters in New Orleans, Louisiana. In addition, the Naval Air Reserve (previously located at Glenview, Illinois) and the Surface Naval Reserve (previously located at Omaha, Nebraska) have been consolidated under the Chief of Naval Reserve at New Orleans.

As previously mentioned, the Chief of Naval Reserve wears a second hat as Director of Naval Reserve (OP-09R) in the Office of the Chief of Naval Operations. He maintains a staff at the Pentagon in Washington, D. C., which is directed in his absence by a Naval Reserve Rear Admiral (at this time RADM R. G. ALTMANN) who is Deputy Director of Naval Reserve. The OP-09R Staff includes a Naval Reserve Air Plans, Policy and Programs Division; a Naval Reserve Surface Plans, Policy and Programs Division; and a Resources Programming Division. The OP-09R Staff, which is manned by Naval Reserve officers who understand the unique nature of Reserve management and program support, is responsible for overall Reserve program coordination at the Departmental level. When matters concerning the Naval Reserve arise in the Department of Defense or Congress, the Chief/Director of Naval Reserve and/or his Deputy Director, supported by the OP-09R Staff, are called upon to provide a coordinated Naval Reserve viewpoint.

The improvements that have been made in the Regular/Reserve working relationship, although far from sufficient, have in some cases been encouraging. As Officer-in-Charge

of a Naval Air Reserve Force Squadron from 1971 to 1973, the author can recall with pleasure the motivation to achieve professional excellence and top-rated combat-readiness. This challenge was imparted to Reserve officers and enlisted men alike by a Regular Navy Air Group Commander who believed in the vital role of the Naval Air Reserve and encouraged his squadrons to communicate and cooperate with their Regular Navy counterparts. The results in many cases were extremely gratifying when during debriefings following a joint Regular/Reserve Fleet Exercise, Regular and Reserve Pilots and Aircrewmen congratulated each other on outstanding performance and then went out on liberty together. The competition and camaraderie in those cases were healthy for the Navy's readiness and invigorating for the Regular/Reserve participants.

A more recent example of good Regular/Reserve working relationships stems from Reserve participation in the Fleet exercise, Springboard '75 [Ref. 34_7]. Reserve Force Squadron Air Anti Submarine Squadron Seventy-three operated from Naval Station Roosevelt Roads, Puerto Rico, to participate with Regular Navy units in this exercise. In debrief of the exercise RADM H. Greer USN, Commander Fleet Air Caribbean, commended the Reserves for their very professional contribution to the successful completion of the exercise. In addition, the Commanding Officer of Naval Station Roosevelt Roads sent a message of appreciation to the squadron upon their return to the United States:

Appreciation is expressed for the fine professional manner in which VS-73 personnel conducted themselves during their recent deployment to Naval Station Roosevelt Roads. The excellent condition upon departure of spaces and equipment assigned to VS-73 is also noted. During these periods of austere funding and manpower shortages it is a pleasure to host a unit who is willing to go to extra pains to ensure that the equipment we now have is kept in top notch operating condition. VS-73 is welcome back anytime Ref. 35.

The Regular/Reserve working relationship can be a good one when people's attitudes are good and they work at it.

C. EDUCATION

The importance of postgraduate education continues to grow in the 1970s as we progress into an even more demanding technological and management environment. This development of the Navy officer corps through advanced education...is an essential part of our preparedness for future challenges...

Ref. 36.

ADMIRAL T. H. MOORER

Education as it stands today serves two basic purposes Ref. 37: The first is to sustain an existing culture or community and the second is to increase that society's capacity to cope with a changing environment by training leaders capable of developing new ideas that can be harnessed to the needs of the people. The essence of the Naval Postgraduate School's mission is "to conduct and direct the advanced education of Commissioned Officers...to meet the needs of the Naval Service." As a Naval Reserve officer student in the Financial Management Curriculum at the Naval Postgraduate School during the period of December 1973 through June 1975,

the author has observed that knowledge of the Naval Reserve among professors/instructors and Regular Navy students is for the most part either lacking or biased and archaic. Furthermore, the Chief of Naval Reserve has not been invited to make a presentation at NPS during this time and the course descriptions in the Management section of the NPS Catalog for 1974-76 make no mention of the Naval Reserve, its practices, or requirements in the management field. There appears to be a lack of concern and effort with regard to weaving the role and needs of the Naval Reserve into the fabric of the NPS management thought process. In view of the Navy's reliance and emphasis on the Total Force Policy this situation represents a significant weakness in the education of Naval Officers at NPS.

One of the major problems concerning Naval Reserve management that has been considered is that of attitude. The relationship between education and attitude is a very interesting one. Psychological research has indicated that "our likes and dislikes are learned... [primarily] from close contact with groups which have already formed strong likes and dislikes toward [certain] psychological objects [Ref. 38]." Psychological objects can be symbols, ideas, institutions, or groups of people. On the foregoing basis, therefore, officers trained and educated by those with strong negative or indifferent attitudes toward Reserves, are not very likely to develop favorable or even open attitudes toward Reserves. How then can the previously discussed self-perpetuating

negative working relationship between Regulars and Reserves be brought under control and re-directed in a positive way? One proven and very promising possibility is through the transforming power of education.

Another important Navy educational institution is the Naval War College. Examination of the current brochure being sent to incoming students [Ref. 39], and perusal of Naval War College Review articles written in the 1970s [Ref. 40], indicate that progress is being made with regard to consideration of the role and viewpoint of the Naval Reserve. The following is a statement made in the President's report for 1973:

With a firm belief that the "One Navy" concept applies as much to the field of professional education as elsewhere, the War College provides considerable support to the Naval Reserve. In return, we receive valuable feedback and stimulation from a source often overlooked [Ref. 41].

The attitude conveyed by the written statements associated with the Naval War College is encouraging. Further research regarding the Naval Reserve viewpoint as a factor in the educational climates at the Naval Postgraduate School, the Naval War College, and other Navy educational institutions could provide beneficial insights for improvement of the Regular/Reserve working relationship.

V. CONCLUSIONS AND RECOMMENDATIONS

...it is fundamental to realize that the more heavily your regular forces are committed-the thinner they are stretched-the more essential it is that one have a ready and effective Reserve [Ref. 20].

Congress expects the Nation's Total Force Policy to be of prime consideration in the Department of Defense decision-making process and the Navy is striving to fulfill that expectation in its area of responsibility. The Navy realizes and has emphasized the vital role of the Naval Reserve in making the Total Force Policy a reality. These facts have been established in Chapter III, THE NAVAL RESERVE AND THE TOTAL FORCE POLICY.

As pointed out in Chapter IV, MANAGEMENT OF THE NAVAL RESERVE, three major problem areas affecting attainment of the Navy's Total Force Policy goal are: FUNDING, ATTITUDES, AND EDUCATION. Evaluation of progress with these key Naval Reserve management problems leads to the following conclusions and recommendations.

A. FUNDING

A great deal of progress has been made toward proper funding and support of the Reserves. Chapter IV discussed in detail many of the organizational changes and management procedures that have been instituted to improve fund flow and amount, such as: centralized and coordinated Reserve

resource requirement inputs to the Navy's POM by OP-09R, Chief of Naval Reserve major claimancy, Reserve adherence to RMS procedures, and improved separation of funds intended for Reserves. However, as pointed out in Chapter II, FINANCIAL MANAGEMENT IN THE DEPARTMENT OF DEFENSE/DEPARTMENT OF THE NAVY, and Chapter IV, MANAGEMENT OF THE NAVAL RESERVE, there is no separate Naval Reserve procurement appropriation and this allows use of Naval Reserve funds for other than Naval Reserve purposes on occasion (see Chapter IV). Therefore, a possibility for further improvement of Naval Reserve support and funding would be to encourage creation of a Naval Reserve procurement appropriation or similar method of ensuring that funds earmarked for improving Naval Reserve Combat-readiness are not subsequently expended for other purposes.

B. ATTITUDES/EDUCATION

Although the Regular/Reserve working relationship has been less than satisfactory in far too many instances, this situation does not have to be accepted as a way of life. As suggested in Chapter IV, MANAGEMENT OF THE NAVAL RESERVE, one practical and successfully-implemented practice is to seek maximum utilization of Naval Reserve units in Regular Navy Fleet Exercises similar to that participated in by VS-73 in the Caribbean. Working together to perform a difficult mission and realizing the value of a team-mate's contribution to a job well done builds a bond of mutual respect and understanding that can be gained in few other ways.

Chapter IV discussed the power of education in transforming attitudes and thought processes. It is recommended that the Naval Postgraduate School emphasize the concept of "One Navy" as the Naval War College seems to have done. Two specific recommendations for achieving more widespread knowledge and understanding of the Naval Reserve and its role under the Navy's Total Force Policy are to:

- (1) invite the Chief of Naval Reserve, the Deputy Chief of Naval Reserve, and/or the Deputy Director of Naval Reserve to speak at the Naval Postgraduate School on a regular basis.
- (2) include and expand upon this thesis as part of the course content for MN 4154, Financial Management in the Navy, at the Naval Postgraduate School.

APPENDIX A

ASSISTANT SECRETARY OF DEFENSE

30 June 1967

MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS (FM) DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Implementation of Project PRIME in FY 1968

The House Appropriations Committee Report on the Defense 1968 Appropriation Bill makes it necessary to reorient and reschedule Project PRIME, for the improvement of programming, budgeting and accounting systems involved in the management of operating resources:

1. Each Military Service will plan and execute a demonstration test during FY 1968 based on uniform specifications issued on June 23, 1967.
2. Outside the components involved in the demonstration tests, the Military Services and Defense agencies will make none of the changes scheduled previously to take effect July 1, 1967, except that:
 - a. Industrial Fund and Stock Fund extensions will be limited to those for which the ASD (Comptroller) reconfirms in writing after the date of this memorandum the approval to proceed.
 - b. Functional cost system extensions which are not associated with PRIME should proceed.
 - c. Recording and reporting of Military Personnel expenses as inaugurated October 1, 1966, should continue in FY 1968.
3. In pursuance of the above policy, changes are being made in PRIME-related documents, insofar as operations outside the demonstration tests only, are concerned. These will be issued as soon as they can be drafted.

Robert N. Anthony
Assistant Secretary of Defense

APPENDIX B

THE SECRETARY OF DEFENSE

Jan 4, 1974

MEMORANDUM FOR Secretaries of the Military Departments
 Chairman of the Joint Chiefs of Staff
 Director of Defense Research and Engineering
 Assistant Secretaries of Defense
 Director of Defense Program Analysis and
 Evaluation
 Assistants to the Secretary of Defense
 Directors of Defense Agencies

SUBJECT: Program/Budget Review - Calendar Year 1974 Schedule

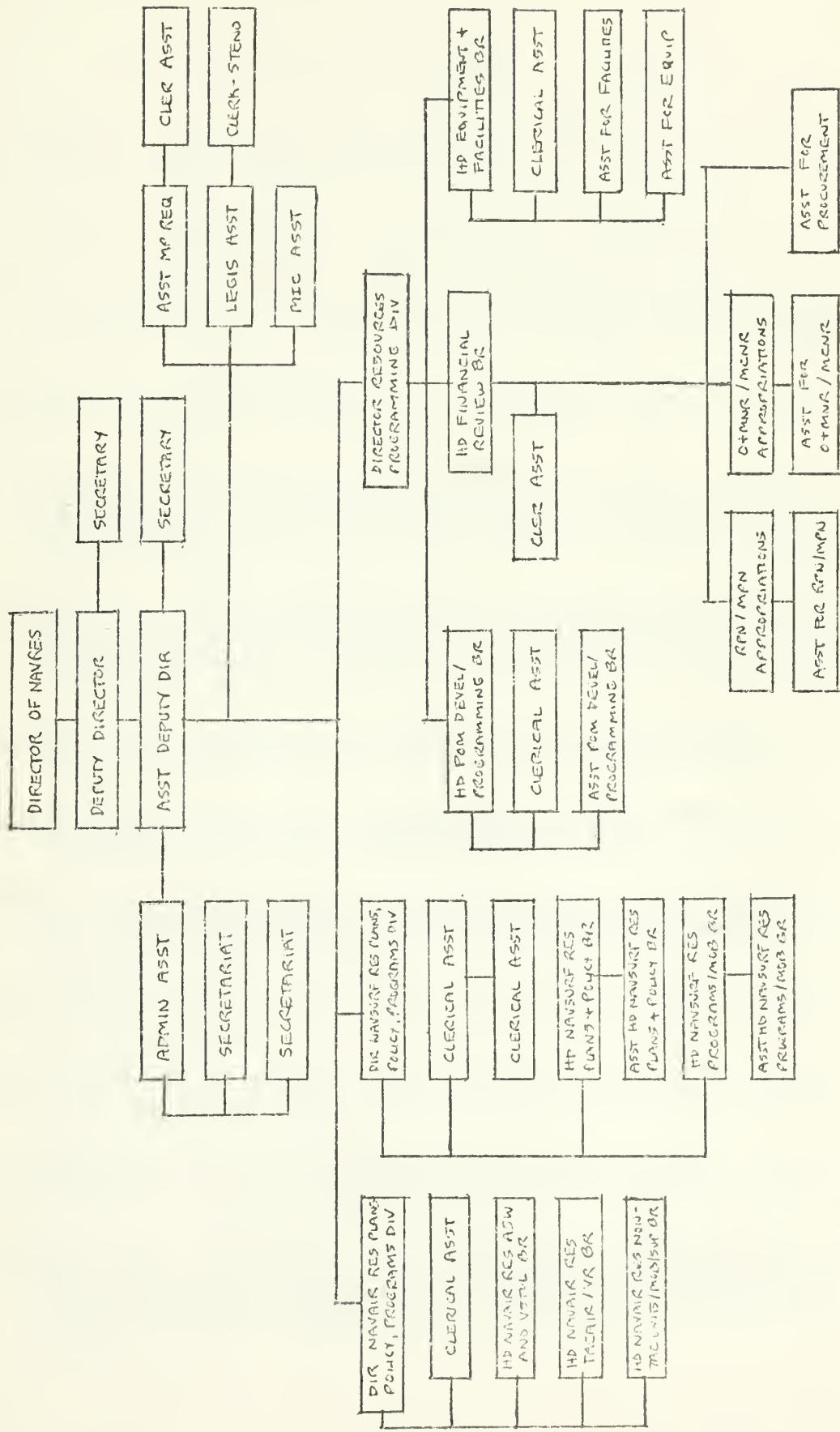
This memorandum expresses the schedule of the more significant actions of the Calendar Year 1974 Planning-Programming-Budgeting cycle. Actions outlined will be accomplished as prescribed by DOD Instruction 7045.7 or as modified by this memorandum.

The Planning cycle began on May 24, 1973 with the publication and receipt of the Joint Strategic Objective Plan (JSOP), Volume I. The Planning cycle will be completed February 22, 1974 at which time the Programming cycle will commence with issuance of the Planning and Programming Guidance Memorandum (PPGM). The PPGM will include the fiscal guidance, material support planning guidance and specific guidance in such areas as forces, research and development, telecommunications and intelligence. The Programming cycle will continue through the preparation of the Joint Force Memorandum (JFM), the Program Objective Memoranda (POMs), the review and analysis of these documents, the transmittal of tentative Program Decision Memoranda (PDMS), a reclama cycle, and the publication of amended PDMS as appropriate. The Programming Cycle will be considered completed on August 22, 1974.

The Budgeting cycle will start with the initial issuance of Budget Guidance on August 22, 1974. This cycle will continue through the submission of the annual budget estimates, the review and evaluation of these estimates by the OSD and OMB staffs and the transmittal of budget decisions in the form of PBDs. Additionally, the Budget cycle will include the update of the FYDP on October 11, 1974 and will be considered completed after joint meetings with the JCS and the Service Secretaries on December 6, 1974, to resolve major budget issues.

OFFICE OF THE DIRECTOR OF NAVAL RESERVE (OP-09R)

APPENDIX C



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